

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5591-03
Bill No.: Perfected HCS for HB 1610
Subject: Motor Vehicles; Motor Fuel; Tax Credits
Type: Original
Date: March 12, 2014

Bill Summary: This proposal reauthorizes the alternative fuel tax credit for six years and adds electric vehicles recharging properties to the list of eligible properties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	\$0 or (Up to \$1,000,000)	\$0 or (Up to \$1,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 or (Up to \$1,000,000)	\$0 or (Up to \$1,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Blind Pension	(Unknown)	(Unknown)	(Unknown)
Highway Funds	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)	(Unknown greater than \$1,000,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§135.710 Alternative Fuel Station Tax Credit

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume no fiscal impact from this proposal to BAP. This proposal renews and modifies the Alternative Fuel Station tax credit for tax years 2015 to 2020. The proposal also expands the list of qualifying properties to include certain electric vehicle recharging stations. The program is capped at \$1 million annually, and may therefore reduce General and Total State Revenues by this amount. BAP notes \$69,454 was redeemed under this program in FY 2012.

Officials at the **Department of Economic Development** assume that due to inclusion of eligibility of private citizens for tax credits up to \$1,500, the department anticipates there will be a fiscal impact from this proposal. DED expects there could be a large number of installations of electric vehicle (EV) recharging stations by private citizens. If an individual is considering the purchase of an EV, it is safe to assume the individual will also purchase a charging station for his/her home to be able to charge the vehicle overnight.

Estimates of the cost for purchase and installation of EV recharging stations range from \$2,000 - \$2,300 for a Level 2 (dedicated outlet charging in approximately 6-7 hours). A faster charging residential installation could be up to \$10,000 according to one source. DED assumes most installations will be for the Level 2 mid-range station which would be very attractive if there is a tax credit of \$1,500. Until December 31, 2013, there was also a federal tax credit for such recharging stations. It is not known whether this tax credit will be renewed. Limited research into similar tax credits for private citizens in other states revealed a 20% of total cost of the installation or up to \$400 tax credit in Maryland and a 25% or \$750 credit in Oregon.

The market for EVs tripled from approximately 17,500 sold in the U.S. in 2011 to 53,000 new EVs in 2012. It is likely that the number of EVs will continue to increase dramatically as consumers become more exposed to EV technology and manufacturers release more makes and models of EVs that appeal to a broader range of consumers. However, for purposes of this fiscal note, a conservative estimate is that the number of EVs sold in the U.S. will be at only 17,500/year, although it is likely to be more. If the EVs are distributed proportionally with population among the states, Missouri could expect the following EV purchases and EV recharging stations:

- 1,800 in 2014
- 2,160 in 2015
- 2,500 in 2016
- 2,880 in 2017 and

ASSUMPTION (continued)

3,200 in 2018.

In addition, there are likely to be business entities installing EV recharging stations as well as other alternative refueling facilities, especially compressed natural gas (CNG) stations due to the lower cost of natural gas.

The Division of Energy would need to review applications and confirm eligibility and costs as well as whether a Missouri contractor (if located within 75 miles) was used for 51% of the costs of the station. We estimate one additional Energy Specialist III would be needed to perform these duties to be able to certify eligibility to the Department of Revenue.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Officials at the **Department of Natural Resources** assume there is no fiscal impact from this proposal.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Alternative Fuel Station tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Amount Authorized	\$87,925	\$91,365	\$0
Amount Issued	\$87,925	\$91,365	\$0
Amount Redeemed	\$23,365	\$45,690	\$69,454

Oversight notes this credit began on August 28, 2008 for tax years starting January 1, 2009. The program required the alternative fuel stations to be built between January 1, 2009, and January 1, 2012, to qualify for the tax credit. This program has a sunset date that requires it to end on August 28, 2014.

Oversight assumes this proposal reauthorizes the Alternative Fuel tax credit. This credit will begin with tax years starting January 1, 2015, and therefore the Fiscal Years impacted would be 2016 and 2017. Oversight assumes this proposal places a \$1 million cap on this proposal and therefore, Oversight will show the loss of revenue to the State as \$0 (no credits issued) or Up to \$1 million.

Oversight assumes this proposal may allow private citizens to claim the credit however, the cap on the proposal remains the same. Oversight assumes DED would be able to handle this credit

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ASSUMPTION (continued)

with its existing staff.

§137.010 Taxation Definitions

Officials at the **BAP** assume this proposal adds certain equipment for the storage of certain propane or LP products to the definition of "real property". BAP notes this may lower the ratio used to calculate the assessed value of property. To the extent that local political subdivisions cannot adjust levies to make up any reduced revenues, this may result in lower local revenues, including revenues for school districts. The State Tax Commission may be able to provide additional information.

Oversight assumes this part of the proposal adds "propane or LP gas equipment" to the list of items that are considered to be real property. They are currently considered personal property. Changing from personal property to real property will reduce the assessment ratio causing a loss of assessed valuation, which in turn will reduce local government revenue. Additionally, it will result in a loss of $\frac{1}{2}$ of 1% of the local government revenue reduction to the Blind Pension Fund. At this time it is unknown how much equipment qualifies for this reclassification and therefore it is unknown how large the loss of revenue to local government and the Blind Pension Fund would be. Oversight will reflect an Unknown loss for local governments and the Blind Pension Fund.

Oversight notes, any estimate of revenue losses due to a reduction in the assessed valuation for specific items should be considered in the context of current state limitations on local government tax revenues. Based on our review of property tax rate information developed by the Office of the State Auditor, Oversight has determined that many local governments would be able to compensate for a reduction in assessed valuation by increasing tax rates within existing tax rate ceilings.

§1 Trailers

Officials at the **Department of Revenue** assume this proposal will reduce revenue collected from trailer registration fees. In FY 2013, the Department collected a total of \$7,044,374 from trailer registrations. Trailer registration fees are distributed to highway funds. The amendment will require OA-ITSD programming, updates to procedures and the Department website.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the programming costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight assumes this proposal removes the renewal fee for trailer registrations. Oversight will

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ASSUMPTION (continued)

reflect a loss to the Highway funds as Unknown greater than \$1 million.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - extension of the alternative fuel tax credit	<u>\$0</u>	<u>\$0 or (Up to \$1,000,000)</u>	<u>\$0 or (Up to \$1,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (Up to \$1,000,000)</u>	<u>\$0 or (Up to \$1,000,000)</u>
BLIND PENSION FUND			
<u>Revenue Reduction</u> - Blind Pension - changing from personal tax to real property tax	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
HIGHWAY FUNDS			
<u>Loss</u> - Department of Revenue - trailer registration fees	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUNDS	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>	<u>(Unknown greater than \$1,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENT FUNDS			
<u>Revenue Reduction</u> - Local Governments from changing from personal tax to real property tax	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses the build alternative fuel stations may be positively impacted.

FISCAL DESCRIPTION

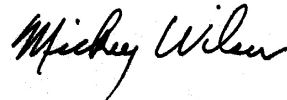
This legislation reauthorizes the alternative fuel tax credit for six years and adds electric vehicles recharging properties to the list of eligible properties.

This legislation removes the requirement of renewal of trailer registration fees.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Natural Resources
Department of Revenue
Office of Administration
Division of Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 12, 2014

Ross Strobe
Assistant Director
March 12, 2014